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bc:

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 April 1987

Dear Mike,

LOCAL AUTHORITY NEEDS INDICATORS

The Chancellor, some while ago, mentioned to the Prime Minister his view that the present system for assessing local authorities' needs was excessively complicated and that it sometimes produced unforeseen and perverse results. The Prime Minister invited the Chancellor to have a note prepared, and the note attached was the result.

BF || The intention under the new system is that the needs grant should be simpler and more stable. However, some colleagues in charge of spending departments and their officials are likely to resist a move to a simple system, and the Prime Minister would be most grateful if the Lord President could consider this problem and how best the objective might be achieved. It would also be useful to consider how the basis of the calculation could be simplified under the present system in view of the length of the transitional period, even though that may be shortened.

I am copying this letter to Alex Allan (HM Treasury) and Trevor Woolley (Cabinet Office).

Yours,
David

(DAVID NORGROVE)

Mike Eland, Esq.,
Lord President's Office.

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087

SIMPLER NEEDS ASSESSMENTS

The present system for assessing local authorities needs - their grant related expenditure assessments (GRES) - starts with the worthiest of motives, to achieve objectivity and fairness. But the quest for these has become bogged down in complexity. That complexity in turn means the system produces unforeseen and sometimes perverse results. The resulting shifts in grant - often quite large - destroy the link between what the authority spends and what the local taxpayer pays. That is bad for local accountability.

2. The Green Paper, "Paying for Local Government" sets the objective of basing the new lump-sum needs grant on simpler and more stable GRES. This note reports on how that might be achieved.

The present system

3. The starting point of the present system is the Government's decision on how much local authorities need to spend in total and on each of their services and sub-services. Statistical indicators are then applied to determine each local authority's share. Over 70 such indicators are used at present. Some are straightforward, like numbers of school children. But others are obviously spurious and some are manifest absurdities.

- shopping floor space is used to estimate the need for spending on museums
- there were prolonged arguments recently about whether the need for spending on winter road maintenance would be better measured by the numbers of days of air frost or the number of days of grass frost.

The attached extract from the Rate Support Grant Report for 1986-87 gives some idea of the complexities of the present system.

4. Each year, GRES are re-examined in detail by working groups of officials from central and local government. But the system is so complex that one minor change can have quite unintended consequences. Last year it was decided to increase the needs

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assessment for Newcastle's metro: the consequence was a shift of grant into London and higher rate rises in the shires.

A new system

5. Treasury officials have been looking to see if there is a viable alternative to this system. Existing GREs range from £353 per head in Tandridge, Surrey to £770 per head in Islington. Preliminary work here suggests that 94 per cent of that variation can be explained by using just 6 of the present indicators:

- the total number of school children;
- the number of children under 5;
- the population over 65;
- population density;
- the mileage of local authority roads;
- a general social conditions indicator.

For two-thirds of authorities this simple assessment was within 5 per cent of the GRE produced by the 70 complex indicators used at present.

6. Local authorities would inevitably criticise a simpler system as presenting rougher justice. There would be gainers and losers (though the effects are likely to be much less significant than those which will flow from the removal of resource equalisation as rates are abolished). There would be a few significant losses causing vociferous complaints, although the transitional safety net arrangements would phase the effects in over several years.

7. Once fully established, the advantages of a new system could be considerable:

- a simpler system would be much more transparent; unforeseen distributional consequences arising from technical tinkering should be a thing of the past;
- the system should therefore be much more stable.

8. There will inevitably be opposition to these changes, but transparency and stability are vital if we are genuinely to have a

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grant system which reinforces rather than undermines local accountability. In principle local authorities should welcome these objectives. But they have grown addicted to the annual haggle to refine GREs. And Whitehall Departments will be suspicious: they fear that a system which is no longer based on a separate needs indicator for each individual service will undermine their influence over local authorities. But their influence under the present system is very limited.

9. The Green Paper reforms offer the obvious chance to implement such changes. The Treasury believes that that opportunity should be used to move once and for all to a system of simple and stable needs assessments. The aim should be to set up a simple system and forswear tinkering with it for several years.

HM Treasury

17 March 1987

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CC/BG



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

17 March 1987

David Norgrove Esq
10 Downing Street
LONDON
SW1

Prime Minister 4

This discusses the
present absurd system for
determining local authority
needs. Shall I ask the
Lord President if he will
pursue this in E(LA)?

JRS
19/3**LOCAL AUTHORITY NEEDS INDICATORS**

at trap PT31
I am sorry it has taken so long to prepare a reply to your letter of
24 November. I now attach a note covering the Treasury's views on
how the present system should be simplified.

Yours
Allec

A C S ALLAN

SIMPLER NEEDS ASSESSMENTS

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HM Treasury

17 March 1987



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RATE SUPPORT GRANT REPORT 1986-87

EXTRACT

C12. Concessionary fares for the elderly and handicapped. Calculated as:

- (i) the number of persons of pensionable age in the area of the authority (the sum of Indicator A16 and the number of women aged 60-64 years) as at 30 June 1984;

multiplied by:

- (ii) the square root of predicted bus vehicle miles per hectare in the area of the authority as defined below, expressed to four decimal places;

this product expressed to the nearest whole number.

Predicted bus vehicle miles per hectare. The sum in the area of the authority of (a) and (b) below:

- (a) The proportion of persons in households without a car or van as estimated by the Secretary of State on the basis of the 1981 Census, multiplied by Indicator A1, multiplied by 97.848;
- (b) Indicator A1 multiplied by -7.998;

divided by Indicator B1; this quotient expressed to six decimal places.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

8 May 1987

LOCAL AUTHORITY NEEDS ASSESSMENTS

The Prime Minister has seen your letter to me of 7 May about local authority needs assessments. The Prime Minister agrees with the Lord President that the task of securing a simpler and more stable system of local authority needs assessments from 1990 should be discussed in E(LF), and would be grateful if the Lord President could chair the meetings for this purpose. She also agrees that the first step might be for the Chancellor to send the Treasury memorandum to the Environment Secretary and other colleagues. The Prime Minister accepts the Lord President's view that there is no point at this stage in attempting to reform the system of needs assessments within the existing system of local authority finance.

I am copying this letter to Alex Allan (HM Treasury) and to Trevor Woolley (Cabinet Office).

(DAVID NORGROVE)

Mike Eland, Esq.,
Lord President's Office.

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cc/BG



PRIVY COUNCIL OFFICE

WHITEHALL, LONDON SW1A 2AT

Prime Minister

7 May 1987

The Lord President is
willing to work for simpler needs
assessments for the new system
but not for the existing system.

Content?

DS

mb

Dear David,

S/7

at 11.45

Thank you for your letter of 9 April. The Lord President has considered the question you raised about how to achieve the Government's objective of introducing a much simpler and more stable system of local authority needs assessments in England from 1 April 1990. This aim has of course been set out publicly in the Green Paper "Paying for Local Government". Nevertheless he recognises that there will be differences of emphasis between colleagues. He sees no real alternative to tackling these in E(LF) and he would be happy to take the chair at these meetings if the Prime Minister so wishes. He suggests that the best immediate course might be for the Chancellor to send the Treasury Memorandum to the Environment Secretary and colleagues in service departments, with a brief covering letter setting out his own views.

As far as the existing system of grant-related expenditure (GRE) assessments is concerned, the Lord President does not feel that there is much to be gained by seeking a confrontation now with the local authority associations over radical plans for simplification. The system has only two years to run. It will, it is true, set the benchmark from which transitional arrangements apply. But no new GREs will be calculated after 1989/90, so the problems of complexity and instability will then arise only in relation to the new system. In his view that is where the Government should concentrate its resources.

I am sending a copy of this letter to Alex Allan in the Chancellor's office and to Trevor Woolley in Sir Robert Armstrong's office.

yours sincerely,
Mike Eland.

MIKE ELAND
Private Secretary

David Norgrove Esq

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LOCAL GOVT. relations pt 32

THE LONDON SCHOOL OF ECONOMICS





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CCBS
2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

The Rt Hon The Viscount Whitelaw CH MC
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1

My ref:

Your ref:

8 April 1987

Dear Willie

NBR.

NEW BURDENS ON LOCAL GOVERNMENT

In accordance with established practice, I am attaching the latest lists of central government initiatives, having financial and manpower implications for local government, which have been notified to my Department during the last six months. The first list contains details of proposals which are likely to result in increases in demands on local government and the second list identifies measures which are expected to lead to some reduction.

The first list shows a slight increase over that for the preceeding period (28 compared with 27). The majority of those burdens whose impact can yet be assessed are expected to have relatively modest implications for local government. It is rather disappointing not to see more evidence of proposals leading to savings for local government (4 compared with 8 in the previous period). I hope that Departments will continue to explore the scope for such savings particularly where their other initiatives are likely to increase demands on local authorities.

My officials have continued to receive welcome co-operation from their colleagues in other Government Departments, particularly in discussing proposals at an early and formative stage and in quantifying the potential impact in consultation with the local authority Associations. Our first list does suggest that we cannot yet be wholly content with our efforts to quantify these burdens, particularly where major initiatives are concerned. In some cases it may be possible to make an order of magnitude estimate in advance of more precise costing and my officials are always ready to offer advice on this or on other aspects of the burdens procedure.

I am copying this to the Prime Minister, members of E(LA) and Sir Robert Armstrong.

Tomson

Nicholas

NICHOLAS RIDLEY

NEW INITIATIVES AFFECTING LOCAL GOVERNMENT - 13 SEPTEMBER 1986 - 12 MARCH 1987:

POSSIBLE EXPENDITURE AND MANPOWER IMPLICATIONS

A. POTENTIAL INCREASES

PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL & MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
1. Houses in multiple occupation: further measures	DOE	De minimis	Mainly advice and guidance to local authorities about the use of their existing powers.
2. Monitoring the derelict land grant programme: questionnaire to LAs	DOE	De minimis; simple questionnaire	Research contract to be let shortly
3. Notification of changes to entries on land registers	DOE	De minimis	Provision in Local Government Bill
4. Circular on soil disposal	DOE	De minimis; initial costs should be offset by long term savings	Follow-up to "Coal and the Environment"
5. Control of Pollution Act 1974; Waste collection and disposal regulations	DOE	Not yet quantified: expected to be small	
6. Consultative arrangements for afforestation: a public register	DOE	Not yet quantified	Results from a Forestry Commission review
7. Control of Pollution (Landed Ships' Waste) regulations 1987	DOE	Not yet quantified; expected to be minimal	
8. Video links in child abuse cases: extension to magistrates' courts	HO	£100,000 capital costs and £500,000pa current costs expected; Treasury estimate considerably higher	
9. Pollcards at Parish elections	HO	£65,000 - £72,000pa	Amendment to Parish rules under the Representation of the People Act 1985

A. POTENTIAL INCREASES

PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL & MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
10. Guide to fire precautions in existing places of entertainment and like premises	HO	Not yet quantified	Cost implications currently the subject of inter-Departmental consideration
11. Opening hours for casinos: Gaming (Amendment) Bill	HO	De minimis .	Private Member's Bill: 'H' Committee approval given
12. Fire Safety and Safety of Places of Sport Bill	HO	Up to £100,000 net pa for inspections of designated sports grounds and regulated stands (charges are to be made for fire implications)	Consultation with LAAs on guidance about inspections in progress
13. Home Affairs Committee: report on Bangladeshis in Britain	HO	Not yet quantified	
14. The Children and Young Persons (Amendment) Act 1986	DHSS	Minimal impact except for new "home on trial" regulations for which funding is still to be negotiated	Private Member's Bill
15. Training of approved social workers	DHSS	Not yet quantified	Derives from the Mental Health Act 1983
16. Board and lodging: benefit arrangements from 1988	DHSS	Not yet quantified; could be significant	
17. Efficiency scrutiny report on the registration service	DHSS	Not yet quantified; costs could be offset by efficiency savings	
18. Preparation for reformed Housing Benefit Scheme	DHSS	£25 M in 1987/88	Social Security Act 1986
19. Reform of Housing Benefit Scheme	DHSS	Not yet quantified	Social Security Act 1986

A. POTENTIAL INCREASES

PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL & MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
20. Reformed Supplementary Benefit Scheme : information re-water charges required for transitional protection for benefit from April 1988	DHSS	Not yet quantified	Social Security Act 1986
21. Housing Benefit Subsidy:	DHSS	Not yet quantified	
22. Meat Products Directive: reassumed role for EHOS	MAFF	£250,000pa	LAAs wish to retrieve this function
23. Charges to LPAs for advice on planning applications for agricultural dwellings	MAFF	MAFF estimate costs at £100,000pa but LPAs believe they could be higher	Consultations with interested parties completed; Ministers are still considering the implementation of these charges
24. Officials inspection of foodstuffs	MAFF	Not yet quantified; proposal could be subject to considerable amendment during EC negotiation	EC proposal for a Council Directive
25. Pavement Parking	DTp	Not yet quantified	Discussion paper issued. Proposals would require amendment to section 7 of the Road Traffic Act 1974
26. Demonstration projects to prove new transport technology; joint funding arrangements	DTp	Not yet quantified	Recommendation of the Select Committee on Science and Technology: Innovation in surface transport

A. POTENTIAL INCREASES

PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL & MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
27. Simplification of business registration and licensing requirements	DEM	Not yet quantified	
28. Careers service strengthening scheme	DEM	Not yet quantified	

B. DECREASES

PROPOSAL	ORIGINATING DEPARTMENT	FINANCIAL & MANPOWER IMPLICATIONS	CURRENT STATUS WHERE KNOWN AND OVERALL COMMENTS
1. Project control for local authority housing schemes	DOE	Not yet quantified	
2. Norfolk and Suffolk Broad's Bill	DOE	Slight reduction in financial burden because of higher central govern- ment grant element in proposed funding of new Broad's Authority; overall effect on manpower likely to be minimal	About to start Standing Committee (Commons). Royal Assent hoped for end July
3. Unitary development plans	DOE	Not yet quantified	Components of the Local Government Act 1985
4. Easement for treatment of income in Housing Benefit Scheme	DHSS	Not yet quantified	